

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0281-02
Bill No.: HB 79
Subject: Education, Elementary and Secondary; Revenue Dept.; Taxation and Revenue-General and Income
Type: Original
Date: January 8, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(unknown)	(unknown)	(unknown)
County Foreign Insurance	(unknown)	(unknown)	(unknown)
Total Estimated Net Effect on <u>All</u> State Funds*	(UNKNOWN)	(UNKNOWN)	(UNKNOWN)

* Could exceed \$100,000 in a given year.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 4 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Revenue (DOR)** state this legislation expands the application of the tax credit for expenditures for students in a sponsorship and mentoring program by allowing insurance companies and other financial institutions taxed pursuant to chapter 148, RSMo, to claim the credit.

The number of additional credits received from this legislation is unknown at this time. However, the Division of Taxation does not anticipate a large growth in credits. The Division of Taxation will need one Tax Processing Tech I for every 3,680 additional tax credits received in the Business Tax Bureau.

Officials of the **Department of Elementary and Secondary Education (DES)** state this bill expands the sponsorship and mentoring program tax credit by allowing taxpayers to take eligible tax credits against insurance premiums tax and financial institutions tax. The bill also clarifies that the tax credits from the program cannot be taken against withholding taxes.

General Revenue fund tax revenues will decline to the extent the credit is taken. If the credit is capped at a certain amount, then there may be no fiscal effect, unless not all credits are currently claimed. DES does not have the information available to estimate the impact of extending the credit to insurance premiums taxes and franchise tax payments.

This proposal would have no additional administrative impact to DES.

In a similar previous proposal, officials from the **Department of Insurance (INS)** stated Missouri has approximately 300 domiciled companies and approximately 1800 companies licensed to do business in the state. It is assumed that only domiciled companies would contribute to approved sponsorship or mentoring programs. It is not known how many sponsorship or mentoring programs would be approved in the state. Premium tax credits taken in 1998 totaled \$31.5 million for all companies. For fiscal estimate purposes, the department assumed that credits taken would not exceed more than \$50,000 on average per company or \$15 million. Premium tax is split 50/50 between GR and County Foreign Insurance Funds. A range of \$0-\$15 million is being proposed as the estimated fiscal impact on revenues.

In a similar previous proposal, officials of the **Office of Administration (COA)** stated this proposal would result in an unknown, negative impact of Total State Revenue if the legislature appropriated funds for the tax credits and income taxpayers took advantage of the tax credits.

ASSUMPTION (continued)

Oversight assumes, for purposes of this fiscal note, that the fiscal impact of this proposal would be an unknown loss to General Revenue and the County Foreign Insurance Funds. It is not known how many sponsorship or mentoring programs would be approved or how much a taxpayer would contribute for each eligible student.

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
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GENERAL REVENUE FUND

Loss to General Revenue Fund

Tax credits for mentoring programs	(unknown)	(unknown)	(unknown)
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COUNTY FOREIGN INSURANCE FUND

Loss to County Foreign Insurance Fund

Tax credits for mentoring programs	(unknown)	(unknown)	(unknown)
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This bill expands the approved tax credits authorized under the Sponsorship and Mentoring Program to include the insurance premiums tax and the financial institutions tax.

This legislation is not federally mandated and would not duplicate any other program. It is unknown whether this legislation would require additional capital improvements or rental space.

This legislation will decrease Total State Revenues.

SOURCES OF INFORMATION

Department of Revenue
Department of Elementary and Secondary Education
Department of Insurance
Office of Administration

A handwritten signature in black ink, appearing to read "Jeanne Jarrett". The signature is stylized with a large initial "J" and a cursive "e" at the end.

Jeanne Jarrett, CPA
Director
January 8, 2001